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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 33-28739

Mascott Corporation
(Exact name of registrant as specified in its charter)

New Jersey	22-2390930
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

304 Regent Street
Livingston, New Jersey 07039
(Address of principal executive offices)
(Zip Code)

(201) 535-1000
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

As of June 30, 1992, 6,950,000 shares of the registrant's common stock were outstanding.

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MASCOTT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	May 31, 1992 (Unaudited)	March 1, 1992
CURRENT ASSETS:		
Cash and equivalents	$ 340,000	$ 577,000
Certificates of deposit	-	97,000
Inventories	102,000	80,000
Prepaid expenses and other current assets	188,000	147,000
Total Current Assets	630,000	901,000
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION OF $339,000 AND $266,000	2,485,000	2,110,000
OTHER ASSETS:		
Intangible assets, less accumulated amortization of $78,000 and $52,000	754,000	760,000
Other	50,000	43,000
	804,000	803,000
	$3,919,000	$3,814,000

LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Note payable - stockholder	$ 250,000	$ -
Accrued interest - stockholder	1,000	-
Accounts payable - trade	304,000	291,000
Accrued payroll	191,000	120,000
Accrued rent	200,000	215,000
Other accrued expenses and current liabilities	260,000	151,000
Total Current Liabilities	1,206,000	777,000
COMMITMENTS AND CONTINGENCY		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value:		
Authorized - 4,000,000 shares		
Issued and outstanding - none	-	-
Common stock, no par value:		
Authorized - 20,000,000 shares		
Issued and outstanding - 6,950,000 shares	6,187,000	6,187,000
Paid-in capital	88,000	88,000
Accumulated deficit	(3,562,000)	(3,238,000)
Total Stockholders' Equity	2,713,000	3,037,000
	$3,919,000	$3,814,000

See accompanying notes to consolidated financial statements.

MASCOTT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended May 31,	
	1992	1991
NET SALES	$1,739,000	$1,091,000
COSTS AND EXPENSES:		
Cost of food and beverage	461,000	304,000
Other operating costs (exclusive of depreciation and amortization shown separately below)	1,242,000	834,000
Royalties to Director	3,000	-
General and administrative expenses	208,000	112,000
Depreciation and amortization	99,000	79,000
Pre-operating costs	53,000	-
	2,066,000	1,329,000
OPERATING LOSS	(327,000)	(238,000)
INTEREST EXPENSE - STOCKHOLDER	(1,000)	-
INTEREST INCOME	4,000	35,000
NET LOSS	$ (324,000)	$ (203,000)
NET LOSS PER COMMON SHARE	$ (.05)	$ (.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,950,000	6,950,000

See accompanying notes to consolidated financial statements.

MASCOTT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended May 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (324,000)	$ (203,000)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization of property and equipment	99,000	79,000
Changes in operating assets and liabilities:		
Inventories	(22,000)	(17,000)
Prepaid expenses and other current assets	(41,000)	11,000
Other assets	(7,000)	(20,000)
Accounts payable	13,000	78,000
Accrued interest - stockholder	1,000	-
Accrued expenses and other current liabilities	165,000	127,000
Net cash flows from operating activities	(116,000)	55,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(448,000)	(102,000)
Acquisition of intangible assets	(20,000)	-
Maturation of certificates of deposit	97,000	288,000
Net cash flows from investing activities	(371,000)	186,000
CASH FLOWS FROM FINANCING ACTIVITIES -		
Proceeds from note payable - stockholder	250,000	-
NET CHANGE IN CASH	(237,000)	241,000
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	577,000	1,923,000
CASH AND EQUIVALENTS, END OF PERIOD	$ 340,000	$2,164,000

See accompanying notes to consolidated financial statements.

MASCOTT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Interim Financial Reporting:

The balance sheet at March 1, 1992 has been derived from the audited balance sheet for the fiscal year then ended and is presented for comparative purposes.

The accompanying financial statements presume that users have read the audited financial statements for the preceding fiscal year. Accordingly, footnotes which would substantially duplicate such disclosures have been omitted.

The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Such adjustments consist solely of normal recurring accruals. Results for the interim periods presented are not necessarily indicative of results that may be expected for the fiscal year ending February 28, 1993.

Note 2 - Change in Fiscal Year:

On August 19, 1991, the Company determined to change its fiscal year from one ending on the last day of February to a 52-53 week reporting period with each fiscal year ending on the Sunday nearest the last day of February. The Company's current fiscal year will end on February 28, 1993.

Note 3 - Note Payable - Stockholder:

On February 24, 1992, the Chairman of the Board of the Company ("Chairman") entered into a credit agreement with the Company. Pursuant to the agreement, the Chairman issued a $1,000,000 unsecured line of credit to the Company. Loans made under the Agreement bear interest at the prime rate. Interest on such loans is payable quarterly and principal is payable upon demand, but not prior to April 1, 1993. The agreement expires February 24, 1997.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. Results of Operations:

Company-Owned Restaurants - The Company commenced operations in March 1989 when Markers-Harborside and Markers-Express opened for business. In April 1990, the Company opened its second restaurant, then known as Markers Restaurant & Bar (with a concept similar to Markers-Harborside) ("Markers-Harborcove"). In May 1992, the Company changed Markers-Harborcove's name and focus and reopened Markers-Harborcove as Markers Italian Grille.

Cinnabon Bakeries - In addition to its restaurant operations, the Company currently owns and operates seven Cinnabon bakery franchises. The Company has owned the exclusive territory rights to own and operate Cinnabon bakeries in 15 of New Jersey's 21 counties since 1988. In January 1992, the Company acquired the exclusive territory rights to own and operate Cinnabon bakeries in the States of Maine, Massachusetts, New Hampshire, Vermont and a substantial portion of Connecticut. The Company anticipates that it will open approximately three to six additional Cinnabon bakeries in the next twelve months, provided the Company has the funds available to do so. The estimated capital necessary to open and operate each Cinnabon bakery is approximately $200,000.

Willie Mays Grilled & Roasted Chicken Operations - In July 1991, the Company entered into an agreement with Willie Mays, a director of the Company, pursuant to which the Company is authorized to use Mr. Mays' name, likeness and services in connection with the operation of quick-service food establishments serving grilled and roasted chicken under the name "Willie Mays Grilled & Roasted Chicken" or other similar names. The Company opened its first Willie Mays Grilled & Roasted Chicken establishment in October 1991 and opened two additional Willie Mays Grilled & Roasted Chicken locations in April 1992. Depending on the success of its current locations and the availability of satisfactory funding sources, the Company may open additional Willie Mays Grilled & Roasted Chicken establishments in the next twelve months. In addition, the Company may offer Willie Mays Grilled & Roasted Chicken franchises for sale to third parties.

The number of the Company's business operations during the two most recent three month periods are summarized as follows:

	Three Months Ended May 31,	
	1992	1991
Markers Restaurants (including Markers Express)	2	2
Cinnabon Bakeries	7	3
Willie Mays Grilled & Roasted Chickens	3	0

In addition, the Company opened one additional Cinnabon bakery in July, 1992.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Net sales, gross profit and division operating income are summarized as follows:

	Three Months Ended May 31,						
	1992				1991		
	(Thousands)						
	Total	Markers Restaurants	Cinnabon Bakeries	Willie Mays Chickens	Total	Markers Restaurants	Cinnabon Bakeries
Net sales	$1,739	$ 732	$732	$275	$1,091	$ 757	$334
Cost of food and beverage	461	223	152	86	304	235	69
Gross profit	1,278	509	580	189	787	522	265
Other operating costs	1,344	626	516	202	913	677	236
Division operating income (loss)	(66)	(117)	64	(13)	(126)	(155)	29
Gross profit percent	73.5%	69.5%	79.2%	68.7%	72.1%	69.0%	79.3%
Division operating income (loss) percent	(3.8)%	(16.0)%	8.7%	(4.7)%	(11.5)%	(20.5)%	8.7%

The foregoing summary does not reflect (a) general and administrative expenses, and (b) pre-operating costs.

Net sales for the three months ended May 31, 1992 increased by $648,000 as compared with the three months ended May 31, 1991. The increase in revenues was due primarily to the additional Cinnabon bakeries which commenced operations during the past year and the commencement of Willie Mays Grilled & Roasted Chicken operations in October 1991.

The Company's gross profit improved to 73.5% for the three months ended May 31, 1992 when compared with 72.1% for the three months ended May 31, 1991. The improvement reflects the additional Cinnabon operations which produce higher gross profit margins as compared with the restaurants and Willie Mays Grilled & Roasted Chicken establishments. Management anticipates that the Company's gross profit will continue to improve as the Cinnabon bakeries expand and become a greater proportion of the Company's overall sales. This improvement may be offset by the expansion of the Willie Mays Grilled & Roasted Chicken operations which are not expected to attain gross profit margins as high as the Cinnabon bakeries.

Other direct operating costs (i.e., rent, utilities, employee salaries and benefits, payroll taxes, insurance and advertising and promotion) were 71.4% of overall net sales for the three months ended May 31, 1992 compared with 76.4% for the same period in 1991. The relative decline in other direct operating costs as a percentage of net sales is due primarily to the additional revenues provided by the additional Cinnabon bakeries and the Willie Mays Grilled & Roasted Chicken operations.

In absolute dollars, such costs increased by $408,000 for the three months ended May 31, 1992 versus 1991, reflecting the expansion of the Company's Cinnabon operations and the commencement of the Willie Mays Grilled & Roasted Chicken operations.

General and administrative expenses were 12.0% of net revenues for the three months ended May 31, 1992 compared with 10.3% in the same period in 1991. The increase in general and administrative expenses as a percentage of net revenue was due primarily to the increased staffing expenses resulting from the expansion of the Company's Cinnabon operations and the commencement of the Willie Mays Grilled & Roasted Chicken operations. The Company presently incurs certain corporate expenses (e.g., salaries of officers, legal and accounting fees, rent, insurance premiums, etc.) which are not directly allocable to existing operations. Until such time as the Company has expanded to a point where its various restaurants, Cinnabon bakeries and Willie Mays Grilled & Roasted Chicken establishments can absorb all such expenses, such corporate expenses will continue to adversely impact profitability.

Pre-operating costs were $53,000 for the three months ended May 31, 1992. Approximately $24,000 was in connection with new Cinnabon bakery operations and approximately $29,000 in connection with the opening of new Willie Mays Grilled & Roasted Chicken locations.

Although the Company has expensed pre-operating costs through May 31, 1992, in subsequent periods such costs may be capitalized and amortized over an estimated recovery period, provided that a sufficient operating history is established by the Company.

Interest income was $4,000 and $35,000 for the three months ended May 31, 1992 and 1991, respectively. Interest income has been generated from investments in cash equivalents and certificates of deposit from the proceeds of the Company's initial public offering. Management does not anticipate significant interest income in the future as the initial public offering proceeds have been used to fund expansion and operating losses. Interest income was also adversely impacted in the three months ended May 31, 1992 by declining market rates of interest.

Net loss for the three months ended May 31, 1992 and 1991 was $324,000 and $203,000, respectively. The Company must increase its sales revenue in existing operations or expand into new profitable operations before profitability can be achieved. There can be no assurance that such profitability will be achieved.

Markers Italian Grille (formerly Markers-Harborcove), located in Somers Point, New Jersey, realized approximately one-half of its total revenues during the months of June, July and August during the past two years when the Somers Point area receives an influx of summertime residents and vacationers. During the pre-Christmas period, Markers-Harborside enjoyed increased revenues due to increase of catering services and private parties compared to other times during the year. The Cinnabon bakeries also experienced increased revenues during this period due to the relatively higher level of shopping mall activity during the pre-Christmas period. Management anticipates the Willie Mays Grilled & Roasted Chicken operations will also experience increased revenues from the higher level of shopping mall activity during the pre-Christmas period.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

B. Liquidity, Capital Resources and Financial Condition:

The Company's liquidity was reduced during the three months ended May 31, 1992. The Company's current ratio (i.e., the ratio of current assets to current liabilities) at May 31, 1992, was .52 to 1 as compared to 1.6 to 1 at March 1, 1992. The impact of the Company's reduced liquidity will be to limit the Company's ability to expand its operations through internal funding. The Company's current ratio may continue to decline during future periods due to expansion and to fund operating losses, if necessary.

Cash flow used in operations was $116,000 versus cash provided by operations of $55,000 for the three months ended May 31, 1992 and 1991, respectively. Cash and equivalents decreased by $237,000 during the current period, primarily as a result of acquisitions of property and equipment totaling $448,000 for the Company's new Cinnabon bakery and two new Willie Mays Grilled & Roasted Chicken outlets. The Company does not expect that it will generate sufficient cash flow internally to fund operations and future expansion until profitability is achieved. As a result, the Company may be required to seek additional external funding. However, there can be no assurance that such additional funding will be available. If the Company is able to open additional Cinnabon bakery operations as contemplated, management anticipates that cash generated from operations will improve, although no assurance can be given in this regard.

On February 24, 1992, Richard Gillman, the Chairman of the Board of the Company, entered into an agreement with the Company pursuant to which he issued a $1,000,000 unsecured line of credit to the Company (the "Credit Agreement"). The Credit Agreement expires on February 24, 1997. In consideration for his entering into the Credit Agreement, the Company granted to Richard Gillman a warrant which entitles him to purchase up to 250,000 shares of the Company's Common Stock (which increases to 350,000 shares of Common Stock if the outstanding balance under the Credit Agreement ever exceeds $750,000) at an exercise price of $2.00 per share. The warrant expires on February 24, 2002. As of July 1, 1992, the Company had borrowed $450,000 under the Credit Agreement. There can be no assurance that Richard Gillman will make any funds available to the Company other than those available under the Credit Agreement.

The Company intends to open three to six additional Cinnabon bakeries during the next twelve months. The estimated capital necessary to open and operate each Cinnabon bakery is approximately $200,000. The Company opened two additional Willie Mays Chicken locations in April 1992. The capital necessary to open each Willie Mays Chicken outlet was approximately $275,000. Depending on the success of the current locations, the Company anticipates it may open additional Willie Mays Grilled & Roasted Chicken locations. In addition, the Company is evaluating the possibility of offering Willie Mays Grilled & Roasted Chicken franchises for sale in the future. The Company does not anticipate expanding the Company's restaurant operations unless and until profitability is achieved.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The estimated capital necessary to fund the planned expansion during the next twelve months will be approximately $750,000 to $1,500,000. Management believes that existing cash, internal cash flow from operations and funds available under the Credit Agreement will be sufficient to fund the planned expansion although no assurances can be given in this regard. If such funds are not sufficient to fund such planned expansion, it may be necessary for the Company to obtain additional external financing. There can be no assurance that such additional financing will be available. The lack of such financing may cause management to revise, delay or curtail the planned expansion.

Restaurant businesses, Cinnabon bakeries and Willie Mays Grilled & Roasted Chicken locations typically do not have significant receivables, since sales are made for cash or by credit card vouchers which are generally paid within a few days, and they do not maintain substantial inventory due to the relatively brief shelf life and frequent turnover of food products. Retail food establishments generally are able to obtain short-term trade credit in purchasing food and restaurant supplies. As a result of such credit, retail food establishments are frequently able to operate with negative working capital. To date, the Company has been able to obtain short-term trade credit. However, no assurances can be given that the Company will continue to be able to obtain short-term trade credit in the future.

MASCOTT CORPORATION

PART II - OTHER INFORMATION

Item 1 Legal Proceedings

Not applicable

Item 2 Change in Securities

Not applicable

Item 3 Defaults Upon Senior Securities

Not applicable

Item 4 Submission of Matters to a Vote of Security Holders

Not applicable

Item 5 Other Information

Not applicable

Item 6 Exhibits and Reports on Form 8-K

(A) Exhibits

Not applicable

(B) Reports on Form 8-K

The Company filed a current report on Form 8-K on May 7, 1992 to announce that it had taken a one-time charge of $1,607,000 for the quarter ended March 1, 1992 reflecting the write-off of capital assets of one of the Company's restaurants, Markers Restaurant & Bar in Jersey City, New Jersey.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: July 13, 1992

MASCOTT CORPORATION

s/s Scott M. Gillman

Scott M. Gillman
Chief Executive Officer and
Principal Financial Officer